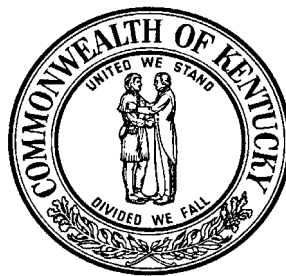


**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
SHERIFF**

**For The Period
January 6, 2003 Through December 31, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARDIN COUNTY SHERIFF

**For The Period
January 6, 2003 Through December 31, 2003**

The Auditor of Public Accounts has completed the Hardin County Sheriff's audit for the period January 6, 2003 through December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

For 2003, the Sheriff's fee revenues were \$2,144,491 a decrease of \$26,860 over the previous year. Expenditures increased from the previous year by \$28,509 resulting in total expenditures of \$123,682. Funds of \$2,020,809 were paid to the Sheriff operating and county funds maintained by the state.

For the year ended December 31, 2003, the 75% operating fund of the Sheriff had revenues of \$1,815,564 and expenditures of \$1,844,761 resulting in shortage of \$29,512. The county fund of the Sheriff had revenues of \$205,263 and excess fees paid to the county treasurer of \$205,263.

Deposits:

The Sheriff's deposits were not fully insured and collateralized by bank securities as of December 31, 2003, leaving \$16,344 of public funds uninsured and unsecured.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Sheriff of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the period January 6, 2003 through December 31, 2003. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the County Sheriff and the revenues, expenditures, and fund balances of the County Sheriff's operating fund and county fund with the State Treasurer for the period January 6, 2003 through December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2004, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 28, 2004

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Period January 6, 2003 Through December 31, 2003

Revenues

Federal Grants:

Drug Task Force	\$ 32,746	
Body Armor Grant	5,657	
Local Law Enforcement Equipment Block Grant	5,500	
Asset Forfeiture Equitable Sharing Funds	<u>6,662</u>	\$ 50,565

State Grants:

Highway Safety Grant	\$ 24,813	
KLEFPF Incentive Pay	<u>91,508</u>	116,321

State Fees for Services:

Finance and Administration Cabinet	\$ 355,918	
Cabinet for Human Resources	<u>7,608</u>	363,526

Circuit Court Clerk		22,678
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Fiscal Court		454,061
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County Clerk		13,662
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Commission on Taxes		764,510
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Fees Collected for Services:

Auto Inspections	\$ 42,935	
Accident and Police Reports	527	
Serving Papers	93,965	
Concealed Weapon License Fees	17,730	
Concealed Weapon License Photos	1,060	
Advertising Fees - Taxes	13,642	
Sheriff's Add-On Penalties for Tax Collections	137,635	
Sheriff's Tax Collection Fees	8,815	
Mortgage Company	784	
Executions	<u>24,048</u>	341,141

Other Revenues:

Interest Earned	\$ 14,146	
Miscellaneous	<u>3,881</u>	<u>\$ 18,027</u>

Total Revenues		\$ 2,144,491
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The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES AND EXPENDITURES - REGUALTORY BASIS
 For The Period January 6, 2003 Through December 31, 2003
 (Continued)

Expenditures

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$	11,465
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Other Expenditures:

Executions		22,086
Extraditions		45,759
Drug Surveillance Equipment		6,662

Payments Made by County:

Law Enforcement Equipment		<u>37,710</u>
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Total Expenditures		<u>123,682</u>
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Net Revenues		\$	2,020,809
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Payments to State Treasurer:

75% Operating Fund	\$	1,815,546	
25% County Fund		<u>205,263</u>	<u>2,020,809</u>

Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>
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HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Period January 6, 2003 Through December 31, 2003

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 6, 2003	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,815,546		1,815,546
Fees Paid to State - County Funds (25%)		205,263	205,263
	<hr/>	<hr/>	<hr/>
Total Funds Available	\$ 1,815,546	\$ 205,263	\$ 2,020,809
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Hardin County Government	\$	\$ 205,263	\$ 205,263
Personal Services-			
Officials Statutory Maximum	75,137		75,137
Deputies Salaries	1,069,355		1,069,355
Employee Benefits-			
Social Security	77,492		77,492
Retirement	188,184		188,184
Health Insurance	88,800		88,800
Life Insurance	866		866
Contracted Services-			
Advertising	24,403		24,403
Pager Service	1,533		1,533
Administrative Services	504		504
Supplies and Materials-			
Office Materials and Supplies	19,153		19,153
Uniforms	14,665		14,665
Uniform Maintenance	5,863		5,863
Law Enforcement Supplies	4,117		4,117
Auto Expenses-			
Gasoline	34,740		34,740
Maintenance and Repairs	27,860		27,860
Tires	6,042		6,042

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE SHERIFF'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Period January 6, 2003 Through December 31, 2003
 (Continued)

<u>Expenditures</u> (Continued)	75% Operating Fund	25% County Fund	Totals
Other Charges-			
Bonds, Insurance and Dues	\$ 36,155	\$	\$ 36,155
Postage	18,650		18,650
Telephone	23,747		23,747
Data Processing	1,500		1,500
Video Arraignment	7,526		7,526
Radio Maintenance	6,921		6,921
Mileage	8,481		8,481
Transporting Prisoners	486		486
Training	4,528		4,528
Utilities	75		75
Parking Fees	200		200
Miscellaneous	74		74
Capital Outlay-			
Vehicles	53,818		53,818
Communication Equipment	16,735		16,735
Office Equipment	13,421		13,421
Computer Hardware	3,730		3,730
Transfer to Imprest Account	10,000		10,000
Total Expenditures	\$ 1,844,761	\$ 205,263	\$ 2,050,024
Fund Balance - December 31, 2003	\$ (29,215)	\$ 0	\$ (29,215)

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003
- Payroll expenditures incurred but not paid

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

HARDIN COUNTY
 CHARLIE WILLIAMS, COUNTY SHERIFF
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2003
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent for the first six months of the year and 18.51 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 31, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$16,344 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	<u>Bank Balance</u>
FDIC insured	\$ 200,000
Collateralized with securities held by pledging depository institution in the county official's name	2,527,823
Uncollateralized and uninsured	<u>16,344</u>
Total	<u><u>\$ 2,744,167</u></u>

HARDIN COUNTY
CHARLIE WILLIAMS, COUNTY SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003
(Continued)

Note 4. Lease Agreement

The office of the County Sheriff was committed to a lease agreement with Pitney Bowes Credit Corporation for a copier. The agreement requires a monthly payment of \$188 for 60 months to be completed on October 30, 2006. The total balance of the agreement was \$6,580 as of December 31, 2003.

Note 5. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. Per KRS 15.460, an eligible officer is entitled to receive an annual maximum of \$3,100. During the period January 6, 2003 through December 31, 2003, the Hardin County Sheriff's office received and expended \$91,508 of these funds.

Note 6. DARE Fund

The Sheriff maintains a Drug Awareness Resistance Education (DARE) Fund, which had a beginning balance of \$2,589. During the period January 6, 2003 through December 31, 2003, receipts of the DARE Fund were \$1,050 and disbursements were \$0, leaving a balance at December 31, 2003 of \$3,639.

Note 7. Drug Fund

The Sheriff maintains a drug fund, which had a beginning balance of \$1,683. During the period January 6, 2003 through December 31, 2003, receipts were \$19,318 and disbursements were \$10,149, leaving a balance at December 31, 2003 of \$10,852.

Note 8. Triad Fund

The Sheriff maintains a TRIAD fund, which had a beginning balance of \$315. During the period January 6, 2003 through December 31, 2003, receipts were \$590 and disbursements were \$446, leaving a balance at December 31, 2003 of \$459. TRIAD is an organization of local law enforcement agencies and senior citizens to reduce crime against the elderly.

Note 9. Federal Grant

The Sheriff received federal drug seizure funds from the United States Department of Justice in the amount of \$12,387 during the period January 6, 2003 through December 31, 2003. Funds totaling \$6,662 were expended during the period January 6, 2003 through December 31, 2003. The unexpended grant balance was \$5,725 as of December 31, 2003.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry Berry, Hardin County Judge/Executive
Honorable Charlie Williams, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Hardin County Sheriff for the period January 6, 2003 through December 31, 2003, and have issued our report thereon dated July 28, 2004. This was a special report on the County Sheriff's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 28, 2004

